

HOUSE FILE \_\_\_\_\_  
BY PETERSEN

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to residential property and property taxation  
2 within a self-supported municipal improvement district,  
3 providing a property tax exemption, and providing that related  
4 notices may be sent by first class mail.  
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
6 TLSB 1164YH 82  
7 eg/gg/14

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1 1 Section 1. Section 386.1, Code 2007, is amended by adding  
2 the following new subsection:  
3 NEW SUBSECTION. 4A. "Neighborhood" means an area zoned,  
4 in whole or at least in part, for residential use that may  
5 include an area zoned for commercial or industrial use.  
6 Sec. 2. Section 386.3, subsection 1, paragraph a, Code  
7 2007, is amended to read as follows:

1 8 a. Be comprised of contiguous property wholly located  
1 9 within the boundaries of the city. ~~A self-supported municipal~~  
~~1 10 improvement district shall be comprised only of property in~~  
~~1 11 districts which are and one of the following:~~

1 12 (1) An area zoned for commercial or industrial ~~uses and~~  
~~1 13 properties within a use.~~

1 14 (2) A duly designated historic district.

1 15 (3) A neighborhood.

1 16 Sec. 3. Section 386.3, subsection 4, Code 2007, is amended  
1 17 to read as follows:

1 18 4. Upon the receipt of the commission's final report the  
1 19 council shall set a time and place for a meeting at which the  
1 20 council proposes to take action for the establishment of the  
1 21 district, and shall publish notice of the meeting as provided  
1 22 in section 362.3, and the clerk shall send a copy of the  
1 23 notice by ~~certified~~ first class mail not less than fifteen  
1 24 days before the meeting to each owner of property within the  
1 25 proposed district at the owner's address as shown by the  
1 26 records of the county auditor. If a property is shown to be  
1 27 in the name of more than one owner at the same mailing  
1 28 address, a single notice may be mailed addressed to all owners  
1 29 at that address. Failure to receive a mailed notice is not  
1 30 grounds for objection to the council's taking any action  
1 31 authorized in this chapter.

1 32 Sec. 4. Section 386.8, Code 2007, is amended to read as  
1 33 follows:

1 34 386.8 OPERATION TAX.

1 35 A city may establish a self-supported improvement district  
2 1 operation fund, and may certify taxes not to exceed the rate  
2 2 limitation as established in the ordinance creating the  
2 3 district, or any amendment thereto, each year to be levied for  
2 4 the fund against all of the property in the district, for the  
2 5 purpose of paying the administrative expenses of the district,  
2 6 which may include but are not limited to administrative  
2 7 personnel salaries, a separate administrative office, planning  
2 8 costs including consultation fees, engineering fees,  
2 9 architectural fees, and legal fees and all other expenses  
2 10 reasonably associated with the administration of the district  
2 11 and the fulfilling of the purposes of the district. The taxes  
2 12 levied for this fund may also be used for the purpose of  
2 13 paying maintenance expenses of improvements or  
2 14 self-liquidating improvements for a specified length of time  
2 15 with one or more options to renew if such is clearly stated in  
2 16 the petition which requests the council to authorize  
2 17 construction of the improvement or self-liquidating  
2 18 improvement, whether or not such petition is combined with the

2 19 petition requesting creation of a district. Parcels Except  
2 20 for residential property within a duly designated historic  
2 21 district, parcels of property which are assessed as  
2 22 residential property for property tax purposes and are located  
2 23 within a district created prior to July 1, 2007, are exempt  
2 24 from the tax levied under this section except residential  
2 25 properties within a duly designated historic district.  
2 26 However, the ordinance creating a district may be amended  
2 27 pursuant to section 386.4 to specifically identify and add  
2 28 such residential property to the existing district and make  
2 29 such property subject to the tax. A tax levied under this  
2 30 section is not subject to the levy limitation in section  
2 31 384.1.

2 32 Sec. 5. Section 386.9, Code 2007, is amended to read as  
2 33 follows:

2 34 386.9 CAPITAL IMPROVEMENT TAX.

2 35 A city may establish a capital improvement fund for a  
3 1 district and may certify taxes, not to exceed the rate  
3 2 established by the ordinance creating the district, or any  
3 3 subsequent amendment thereto, each year to be levied for the  
3 4 fund against all of the property in the district, for the  
3 5 purpose of accumulating moneys for the financing or payment of  
3 6 a part or all of the costs of any improvement or self=  
3 7 liquidating improvement. ~~However~~ Except for residential  
3 8 property within a duly designated historic district, parcels  
3 9 of property which are assessed as residential property for  
3 10 property tax purposes and are located within a district  
3 11 created prior to July 1, 2007, are exempt from the tax levied  
3 12 under this section except residential properties within a duly  
3 13 designated historic district. However, the ordinance creating  
3 14 a district may be amended pursuant to section 386.4 to  
3 15 specifically identify and add such residential property to the  
3 16 existing district and make such property subject to the tax.  
3 17 A tax levied under this section is not subject to the levy  
3 18 limitations in section 384.1 or 384.7.

3 19 Sec. 6. Section 386.10, Code 2007, is amended to read as  
3 20 follows:

3 21 386.10 DEBT SERVICE TAX.

3 22 A city shall establish a self-supported municipal  
3 23 improvement district debt service fund whenever any  
3 24 self-supported municipal improvement district bonds are issued  
3 25 and outstanding, other than revenue bonds, and shall certify  
3 26 taxes to be levied against all of the property in the district  
3 27 for the debt service fund in the amount necessary to pay  
3 28 interest as it becomes due and the amount necessary to pay, or  
3 29 to create a sinking fund to pay, the principal at maturity of  
3 30 all self-supported municipal improvement district bonds as  
3 31 authorized in section 386.11, issued by the city. ~~However~~  
3 32 Except for residential property within a duly designated  
3 33 historic district, parcels of property which are assessed as  
3 34 residential property for property tax purposes at the time of  
3 35 the issuance of the bonds and are located within a district  
4 1 created prior to July 1, 2007, are exempt from the tax levied  
4 2 under this section until the parcels are no longer assessed as  
4 3 residential property or until the residential properties are  
4 4 designated as a part of an historic district. However, the  
4 5 ordinance creating a district may be amended pursuant to  
4 6 section 386.4 to specifically identify and add such  
4 7 residential property to the existing district and make such  
4 8 property subject to the tax.

4 9 Sec. 7. NEW SECTION. 386.15 TAXES NOT IMPOSED AGAINST  
4 10 CERTAIN RESIDENTIAL PROPERTY.

4 11 The property taxes authorized pursuant to sections 386.8,  
4 12 386.9, and 386.10 shall not be imposed against residential  
4 13 property in a neighborhood district if the owner of the  
4 14 residential property occupies the property and, for the fiscal  
4 15 year in which the property taxes are due, has a claim for the  
4 16 low-income elderly and disabled property tax credit certified  
4 17 for payment to the department of revenue under chapter 425,  
4 18 division II.

4 19 Sec. 8. IMPLEMENTATION OF ACT. Section 25B.7 shall not  
4 20 apply to the property tax exemption created under this Act.

4 21 EXPLANATION

4 22 Code chapter 386 currently allows a city to create a self=  
4 23 supported municipal improvement district comprised of areas  
4 24 zoned for commercial or industrial use and property within a  
4 25 duly designated historic district. This bill allows the city  
4 26 to create a district comprised of an area zoned, in whole or  
4 27 at least in part, for residential use, known as a  
4 28 neighborhood. Any combination of residential, commercial, or  
4 29 industrial properties may comprise a district.

4 30 Currently, residential properties located within a district  
4 31 comprised of commercial or industrial properties are exempt  
4 32 from taxes levied under this Code chapter. This exemption  
4 33 will continue for districts created prior to July 1, 2007.  
4 34 However, the ordinance creating the district may be amended  
4 35 pursuant to Code section 386.4 to specifically identify and  
5 1 add such residential property to the existing district and  
5 2 make such property subject to the tax.

5 3 The bill exempts certain residential property within a  
5 4 neighborhood district from the property tax authorized  
5 5 pursuant to Code sections 386.8, 386.9, and 386.10 if the  
5 6 owner of the residential property occupies the property and,  
5 7 for the fiscal year in which property taxes are due, has a  
5 8 claim for the low-income elderly and disabled property tax  
5 9 credit. In 2007, a person who is 65 years or older or who is  
5 10 totally disabled, having a household income of less than  
5 11 \$18,876 in calendar year 2006, is eligible for the low-income  
5 12 elderly and disabled property tax credit.

5 13 The requirement under Code section 25B.7 that the cost of a  
5 14 property tax exemption be fully funded by the state does not  
5 15 apply to the exemption under new Code section 386.15.

5 16 Code chapter 386 currently requires the city to send  
5 17 notices of meetings, to establish or amend a district, for  
5 18 example, to each affected property owner by certified mail.  
5 19 The bill provides that the notice be sent by first class mail.

5 20 LSB 1164YH 82

5 21 eg:rj/gg/14.2